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EXCEPTION

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IN THE MATTER OF THE PROPOSED) DOCKET NO. RE-00000A-07-0608
 RULEMAKING REGARDING NET METERING.)

) **JOINT EXCEPTIONS OF TUCSON**
) **ELECTRIC POWER COMPANY**
) **AND UNS ELECTRIC, INC.**

Tucson Electric Power Company ("TEP") and UNS Electric, Inc. ("UNS Electric") (collectively, "UniSource Energy"), through undersigned counsel, hereby submit Joint Exceptions to the Administrative Law Judge's ("ALJ") September 29, 2008 Recommended Opinion and Order regarding the proposed Net Metering Rulemaking ("ROO").

I. INTRODUCTION.

UniSource Energy acknowledges the hard work that the Arizona Corporation Commission ("Commission"), Commission Staff, the ALJ and participating parties demonstrated in developing the proposed Net Metering Rules ("Proposed Rules"). The process allowed all interested parties the opportunity to provide comments on the Proposed Rules. Consequently, the ROO represents input from both customers and affected utilities. UniSource Energy also acknowledges the inclusion of several of its recommendations in the Proposed Rules.

UniSource Energy restates herein both its support of the Proposed Rules and earlier comments¹ that were not adopted in the ROO.

¹ UniSource Energy filed comments on the Proposed Rules on January 4, 2008, February 12, 2008 and March 6, 2008.

1 **II. NET METERING CONCERNS.**

2 UniSource Energy is concerned with the potential impact of R14-2-2302.13.d., allowing a net
3 metered generating facility to install generation capacity up to 125% of “total connected load”. As
4 noted in the Net Metering Staff Report, many types of distributed generation are not dispatchable and
5 there will eventually be a need for a limit on total distributed generation in order to maintain system
6 reliability. The limit can be reached through a small number of large systems or a large number of
7 small systems. The Staff Report accompanying the original Draft Rules notes on page 2 that
8 customers will use Net Metering for “... essentially storing excess power on the grid...”. This is a
9 new role for electric utilities, one for which their assets are generally not suited. At some point, as
10 customer sited self-generation capacity reaches some future threshold yet to be determined, utilities
11 will need to install energy storage assets, at some cost, to manage the energy storage demands
12 imposed by self-generation net metered customers. Thus, for the reasons delineated above, and to
13 more closely align distribution system sizing with distributed generation sizing, UniSource Energy
14 suggests that 100% be used, instead of 125%, of expected peak demand when determining the
15 maximum generation capacity to qualify for net metering service.

16 UniSource Energy is also concerned that, although Time-of-Use (“TOU”) Net Metering can
17 technically be implemented, the cost to customers could be very expensive using existing available
18 technology. As smart metering systems are implemented service territory wide, the cost of TOU Net
19 Metering equipment and monthly reading should decline. UniSource Energy suggests no language
20 changes at this time, but its proposed Net Metering tariffs will reflect commercially available
21 metering technology for TOU Net Metering at the time the tariffs are presented. In addition, the
22 implementation of TOU Net Metering in customer billing systems, while again technically possible,
23 will involve very significant expense as those information processing systems will need to be
24 programmed to support a billing concept they were not originally designed to process. These are
25 one-time expenses and will need to be recovered from the customer as a component of the Net
26 Metering tariff. The question of excess credit carryover of TOU summer credits into winter, and
27 vice versa, with dissimilar values will need to be addressed in the Net Metering tariffs as well.

1 **III. SUGGESTED CHANGE TO THE PROPOSED RULES.**

2 As discussed above, UniSource Energy recommends the following change to the Proposed
3 Rules:

- 4 A. Section R14-2-2302.13.d – Net Metering Facility: **delete** 125% and **insert** 100%, in
5 order to better align customer distributed generation sizing with utility distribution
6 system sizing.

7
8 RESPECTFULLY SUBMITTED this 8th day of October, 2008.

9 TUCSON ELECTRIC POWER COMPANY
10 UNS ELECTRIC, INC.

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17 Original and thirteen copies of the foregoing
18 filed this 8th day of October, 2008, with:

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